

Message Text

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ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W
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FM AMEMBASSY CAIRO

TO SECSTATE WASHDC IMMEDIATE 5565

C O N F I D E N T I A L CAIRO 7585

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E.O. 11652: GDS

TAGS:

SUBJECT: FY 1977 PROGRAM SUBMISSION

REF: STATE 178995

1. FOLLOWING COMMENTS ARE KEYED TO PARAGRAPHS OF REFTEL.
2. EFFECTIVE AVAILABILITY OF COMMODITY IMPORT LOAN FUNDS
WITHIN CALENDAR YEAR IS MEASURED BY EXTENT TO WHICH LETTER
OF CREDITS CAN BE OPENED TO FINANCE IMPORTS INCLUDED IN GOE
FOREIGN EXCHANGE BUDGET. ASSUMING MOST FAVORABLE SCHEDULE,
WE ANTICIPATE A) SIGNING OF FY 1977 COMMODITY LOAN IN MID-
OCTOBER FOLLOWING SOME DELAY IN PASSAGE OF CONTINUING RESOLUTION,
ALLOTMENT OF FUNDS, AND FINAL AUTHORIZATION BY AID ADMINISTRATOR
B) RATIFICATION BY PEOPLE'S ASSEMBLY BY MID-NOVEMBER, AND C)
SATISFACTION OF CONDITIONS PRECEDENT BY END OF NOVEMBER. EVEN
IF ALLOCATION OF LOAN FUNDS BY SECTOR WERE COMPLETED SIMULTANEOUSLY,
THIS SCHEDULE WOULD PROVIDE ONLY ONE MONTH FOR GOODS TO BE
ORDERED AND LETTER OF CREDITS OPENED. WE SIMPLY DO NOT THINK
THIS IS SUFFICIENT TIME TO MAKE ANY IMPACT ON CY 1976 FOREIGN
EXCHANGE BUDGET. IN ANY EVENT, FINANCING AT EXTREME END OF
YEAR, DESPITE ALL ADVANCE NEGOTIATIONS POSSIBLE, WOULD GIVE
US ONLY DREGS OF OVERALL BUDGET FOR FUNDING.

3. WE HAVE TDY TEAM SCHEDULED THIS SUMMER AND FALL FOR
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BOTH WATER USE AND RURAL HEALTH PROJECTS AND ASSUME THAT

PROJECT PREPARATION AND APPROVAL PROCESS CAN BE COMPLETED LONG BEFORE OCTOBER 1, 1976, IN ORDER PERMIT START-UP IN THESE AREAS PRIOR TO THAT DATE. WHILE DOLS 2 MILLION FOR EACH MAY WELL BE MODEST, WE WOULD EXPECT PROJECT DEVELOPMENT PROCESS TO BE FAR ENOUGH ALONG BY LATE WINTER TO ENABLE US MAKE REFINED ESTIMATES IN TIME FOR FY 1977 CONGRESSIONAL PRESENTATION. WE STRONGLY OPPOSE BROAD SECTORAL APPROACH IN BOTH AREAS SINCE WE FORESEE SERIOUS CONCEPTUAL AND ANALYTICAL PROBLEMS IN DESIGNING COMPREHENSIVE SECTORAL PROGRAMS IN VIEW SIZE AND COMPLEXITY OF INTERLOCKING ISSUES. WE PREFER FOCUS ON INSTITUTIONAL AND ATTITUDINAL PROBLEMS AS BASIC THRUST OF TECHNICAL ASSISTANCE PROJECTS AND TO DEVELOP SEPARATE ACTIVITIES AS SUBSEQUENTLY NEEDED A) TO BOLSTER IDENTIFIED CHANGES IN POLICIES AND PROCEDURES AND B) TO MEET KEY FINANCIAL AND/OR PHYSICAL PROBLEMS. FURTHERMORE, WE THINK END-USE PROBLEMS INVOLVED IN SECTORAL PROGRAM WOULD DWARF THOSE CITED WITH RESPECT PROPOSED REGIONAL RECONSTRUCTION FUND.

4. WE HAD EXPECTED UTILIZE SERVICES ON REQUESTED TDY ENGINEER, COVERING ABSENCE PHILIP LEWIS ON HOME LEAVE, TO DEVELOP DETAILS OF PROPOSED SCIENTIFIC AND RESEARCH EQUIPMENT PROGRAM. FAILURE TO PROVIDE SUCH REPLACEMENT HAS UNAVOIDABLY DELAYED AID/CAIRO ABILITY UNDERTAKE DETAILED DEVELOPMENT THIS PROGRAM. WILL EXPEDITE ON RETURN LEWIS.

5. WHILE WE HOPE BY CY 1977 TO A) DRAW CLEARER DISTINCTION BETWEEN CIP AND PL 480 AS MEETING BASICALLY DIFFERENT NEEDS AND B) COMPARE CY 1977 CIP FINANCING WITH PREVIOUS YEARS RATHER THAN WITH TOTAL OF ALL U.S. BALANCE OF PAYMENTS SUPPORT, WE RECOGNIZE THAT ANY REDUCTION IN PL480 LEVEL WILL INCREASE PRESSURE FOR ADDITIONAL CIP. HOWEVER, WE CANNOT RECOMMEND HIGHER PROPORTION OF TOTAL FY 1976 AND FY 1977 PROGRAMS BE DEVOTED TO CIP ON BASIS INFORMATION AVAILABLE TO US SINCE WE BELIEVE LEVELS WE PROPOSED ALREADY RUN DANGERS OF ERODING CONGRESSIONAL SUPPORT FOR TOTAL LEVEL OF ASSISTANCE TO EGYPT.

6. PROPOSED REGIONAL RECONSTRUCTION AND DEVELOPMENT FUND CONCEPT IS INTENDED PRIMARILY TO PROVIDE AN ANALYTICAL FRAMEWORK FOR INTERRELATED ACTIVITIES WHICH IT WOULD BE DIFFICULT TO JUSTIFY ON A PROJECT BASIS GIVEN INFORMATION EXPECTED TO BE IN HAND BY CONFIDENTIAL

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CONGRESSIONAL PRESENTATION TIME. WE BELIEVE PROBLEM OF MONITORING END-USE FOR THIS PROGRAM CONSIDERABLY LESS THAN THAT FOR SECTORAL PROGRAMS SUGGESTED BY AID/W IN WATER USE AND RURAL HEALTH SINCE RECONSTRUCTION IS LIMITED GEOGRAPHICALLY. WE SHOULD AVOID, OF COURSE, FINANCING OF COMMODITIES WHICH PRESENT SERIOUS END-USE IDENTIFICATION PROBLEMS. FURTHER, WE WILL ATTEMPT TO PROJECTIZE AS MANY OF THE ACTIVITIES AS POSSIBLE SUBSEQUENT TO CONGRESSIONAL PRESENTATION FOR

IMPLEMENTATION UNDER PROJECT PROCEDURES DURING FY 1977.

7. STORAGE AND DISTRIBUTION VS. HELWAN POWER

GIVEN WEALTH OF STUDTLMATERIAL AND PLANNING ALREADY AVAILABLE FOR EXPANSION OF GRAIN STORAGE AND DISTRIBUTION FACILITIES, WE SEE NO REASON WHY FEASIBILITY STUDY FOR SECOND PROJECT IN THIS SECTOR CANNOT BE COMPLETED IN TIME AUTHORIZE LOAN IN FY 1976. WE STRONGLY PREFER MAINTAIN CONTINUITY IN THIS ACITIVITY WHICH WE CONSIDER TOP PRIORITY IN TEMS BOTH DEVELOPMENTAL AND POLITICAL IMPACT WITH IMPORTANT LINKAGES TO RURAL POOR AND TO EXTENSIVE TITLE I AND OTHER FOOD IMPORTS. FURTHER, WE HAVE INCLUDED \$75 MILLION FOR ISMAILIA POWER PLANT IN FY 1976 AND FURTHER FUNDING IN POWER FIELD WOULD OVERLY CONCENTRATE OUR DEVELOPMENTAL AID IN ONE SECTOR. WE RECOMMEND STRONGLY THAT ALL-OUT EFFORT BE LAUNCHED TO MOUNT STORAGE FEASIBILITY STUDY ASAP WITH SPECIAL EMPHASIS ON DEVELOPING VIABILITY OF SECOND LIMITED PORJECT. EILTS

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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CREDIT, FUND ALLOTMENT, LOANS
Control Number: n/a
Copy: SINGLE
Draft Date: 01 AUG 1975
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ShawDG
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975CAIRO07585
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D750266-0246
From: CAIRO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750887/aaaacyyt.tel
Line Count: 133
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION SS
Original Classification: CONFIDENTIAL
Original Handling Restrictions: EXDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: EXDIS
Reference: 75 STATE 178995
Review Action: RELEASED, APPROVED
Review Authority: ShawDG
Review Comment: n/a
Review Content Flags:
Review Date: 30 JUL 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <30 JUL 2003 by MartinML>; APPROVED <23 DEC 2003 by ShawDG>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: FY 1977 PROGRAM SUBMISSION
TAGS: EFIN, EG
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006